

MACRS

ACCOUNTING FOR NON-ACCOUNTANTS



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MACRS 2014 FALL CONFERENCE

Why?

- Administrator now providing a financial packet
- They claim you don't understand it

Starting Point

- Double-entry accounting
- Total debits = total credits
- Might be more than 2 accounts in one entry

Fund Accounting

- Assets divided into 6 funds:
 - Annuity Savings Fund
 - Annuity Reserve Fund
 - Military Fund
 - Pension Fund
 - Pension Reserve Fund
 - Expense Fund

My Rule of Thumb

- Cash and other assets
 - if increasing, debit
 - if decreasing, credit

- ➡ Opposite of bank statement

Trial Balance

- Assets on top
 - Funds next
 - Then operating accounts
 - 4000's receipts (generally)
 - 5000's disbursements
- ➡ PERAC Accounting Manual has chart of accounts

Trial Balance (Cont'd)

- Why is total \$0?
 - funds have credit balances
 - offset the assets' debit balances
- ➡ Note that total debits = total credits

Cash Books

- Cash Receipts
- Cash Disbursements
- Adjusting Journal Entries
- All 3 contained in general ledger

Cash Receipts

- Cash increases, so always debited
- Other account involved always credited
- Want good transaction descriptions

Cash Disbursements

- Cash decreases, so always credited
- Other account involved always debited
- Again, want good descriptions

Adjusting Journal Entries

- Do not involve cash

OR

- Two cash accounts involved

February

- Member paying make-up in installments
 - Follows Board policy?
- Known receipts
 - 3(8)(c)s
- Cash transfers
 - How much needed?
 - Where does it come from?
 - Board aware of transfers?

March

- Board policy to pay for medical records?
 - Would have seen before on warrant
- First month with investment accounting
 - All pooled funds
 - All quarterly manager statements

Investments

- Limited ledger accounts
 - Investment income
 - Operating loss is negative investment income
 - Realized gains / losses
 - Unrealized gains / losses
 - Fees
- Could be a series of entries all involving the asset
- Asset entries in handout done as a summary

April

- Real estate manager's quarterly statement
- Less liquid investments takes longer to value

May

- Finally received alternative investment manager's statement for 1st Quarter

July

- Town employees got raise
 - Deductions higher
- Retirees received COLA
 - higher pension amount
- Retirement director's salary increased

August

- Appropriation received
 - Does pay date match funding schedule?
 - No need to liquidate equities
 - Invest leftover money?

September

- State COLA reimbursement booked
 - Received in June?
- ▢➡ Option B refund payees listed separately

October

- 91A repayment account created at end of 2012
 - Boards were handling multiple ways
- Any additional accounts you would like to see?

October Adjusting Journal Entries

- Had to fix earlier investment entry
 - Reversed debits and credits of first entry
 - New entry done the way it should have been
- ➡ This is why #4887 has both debits and credits on the trial balance

December

- Receipts use miscellaneous income
- Asset values for equities and fixed income through 4th Quarter
 - Alternative and Real Estate through 3rd Quarter
- Cash large enough that no transfer needed in January
 - ➡ This is the “pre-close” trial balance

Accounts Payable / Receivable

- Typically only used at year end
 - Exception: actively managed funds have uncompleted transactions at end of each month
 - Cleared out at start of next month
- Receivables
 - money owed to System on December 31st
- Payables
 - money the System owes on December 31st

“Closing” the Books

- Find Trial Balance
- Look at operating accounts
- Beginning balances all zero
- Year-end amounts show up on Annual Statement

“Closing” the Books (Cont’d)

- Have to get operating accounts to zero for start of next year
- Money goes to the appropriate fund
- This process is “closing” the books

Closing Entries

- For accounts that have debit balances, closing entry is a credit
- For accounts that have credit balances, closing entry is a debit
- What is the other half of these entries?

Closing Entries (Cont'd)

- Other half of the entry is to one of the six funds
- For example, member deductions closes to Annuity Savings Fund
 - as deductions come in #4891 is credited
 - closing entry is debit #4891 and credit #3293
 - funds have credit balances, so this is an increase
 - debit brings #4891 to zero- ready for the new year

Things To Watch For

- Trial balance not \$0 at bottom
- Adjusting journal has many entries with “correcting” in the description
- Accounts not being used
 - State COLA
 - expenses that were on warrant
- Vague descriptions

Miscellaneous Income #4825

- Should be relatively small
- Fee Board charges for FOIA request copies
- Candidate for election has Board send out mail
- Bank rounding errors in Board's favor
 - rounding errors the other way book to Administrative Expenses #5589 to avoid negative income

Timing of Cash Books

- Late cash books are a red flag
- Due at PERAC “within 4 weeks of the close of each month” (840 CMR 4.03)
- Realistically, no accounting done until prior year’s Annual Statement finished
- Second half of year should be timely